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ITALIAN-YUGOSLAV MANEUVERING OVER TRIESTE

I. Yugoslavia and Italy have reverted to mutually unacceptable positions in Trieste dispute.

A. Tito's 6 September proposal would deny Italy any part of the disputed territory.

B. Italy's 13 September plebiscite proposal is a stacked deck which would result in return of the territory to Italy.

1. Heavily populated coastal cities, particularly Trieste, are predominantly Italian.

2. Sparsely populated hinterland is largely Slovene.

II. Tito believes he is leading from strength at this moment.

A. He possesses Zone B.

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B. Western powers have indicated that Yugoslav military collaboration is of paramount importance.

C. Tito forsees his future position being weakened by ostensible lessening of the Soviet threat.

III. Italy's immediate objective is de facto occupation of Zone A.

A. Such an "interim" solution would be of considerable political advantage at home.

B. It would enable Italy to bargain with Tito on equal terms.

C. Conversely, domestic political situation in August impelled the Italian premier to take a strong stand on Trieste.

D. Italian government threatens to use the Trieste issue as an excuse for delaying ratification of EDC and limiting participation in NATO.

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IV. Tito has promised strong measures if Italy occupies Zone A.

A. Yugoslavia would react by formally annexing Zone B.

B. Yugoslavia might move troops to Italian border.

1. It has not yet moved troops.

2. Tito has twice stated he will not in the present situation.

V. Italy has deployed a few forces.

A. About 4,000 troops garrisoned in the border area have been deployed on a semi-alert status.

B. One cruiser and two destroyers were despatched to Venice.

C. These troops are NATO-assigned and the ships MDAP equipped.

VI. The threat of riots in Trieste city has so far been avoided.

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VII. Public speeches on both sides leave no departure point for new negotiations.

A. Both sides intend to maneuver US into making a decision now which will favor their respective positions.

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